

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
INBOUND COMPETITIVE MULTI-SERVICE AGREEMENTS WITH
FOREIGN POSTAL OPERATORS
CANADA POST CORPORATION – UNITED STATES POSTAL
SERVICE CONTRACTUAL BILATERAL AGREEMENT (MC2010-34)
NEGOTIATED SERVICE AGREEMENT

Docket No.
CP2018-96

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING MODIFICATION
TO AN INBOUND COMPETITIVE MULTI-SERVICE AGREEMENTS WITH FOREIGN
POSTAL OPERATORS 1 NEGOTIATED SERVICE AGREEMENT**
(December 10, 2019)

In accordance with 39 C.F.R. § 3015.5 and Order No. 546,¹ the United States Postal Service (Postal Service) hereby gives notice that the Postal Service and Canada Post Corporation have signed a “Modification Three” to the negotiated service agreement that is the subject of the above-captioned docket, a bilateral agreement between the Postal Service and Canada Post Corporation (the Agreement). The modification extends the general terms of the bilateral agreement to June 30, 2020, and replaces the rate table in Attachment 1 of the Agreement as it relates to inbound competitive service rates. The Postal Regulatory Commission (Commission) favorably reviewed the inbound competitive portions of this Agreement on December 28, 2017, and acknowledged a modification to this Agreement on September 11, 2019.² On

¹ PRC Order No. 546, Order Adding Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 to the Competitive Product List and Approving Included Agreement, Docket Nos. MC2010-34 and CP2010-95, September 29, 2010.

² See PRC Order No. 4309, Order Approving Additional Inbound Competitive Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2018-96, December 28, 2017; PRC Order No. 5224, Order Acknowledging Modification Two to an Inbound Competitive Multi-Service Agreement with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. CP2018-96, September 11, 2019.

November 19, 2019, the Commission also favorably reviewed an extension of market dominant rates associated with this Agreement.³

Pursuant to 39 C.F.R. § 3015.5(a), a change in rates not of general applicability must be filed at least 15 days prior to their effective date; in this case, the rates in Modification Three are intended to take effect on January 1, 2020, if favorably reviewed by the Commission.

Prices and classifications for competitive products not of general applicability for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-published Competitive Rates (Governors' Decision No. 19-1), issued on February 7, 2019. This Decision authorized rates for, among other things, "Inbound International Competitive Agreements" that "consist of negotiated service agreements with foreign postal operators ... that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2)."

Concurrent with this Notice, the Postal Service will be filing rates and supporting documents separately under seal with the Commission. The Postal Service maintains that these rates and supporting documents should remain confidential and incorporates by reference its Application for Non-Public Treatment filed with its initial Notice in the

³ See PRC Order No. 5313, Order Approving Modification Three to Existing Agreement, Docket No. R2018-2, November 19, 2019.

this docket.⁴ The Postal Service requests that the Commission continue to grant its Application for Non-Public Treatment of the materials filed in support of this Notice.

The Postal Service attaches the following to this Notice: (1) Attachment 1 – a copy of Modification Three; (2) Attachment 2 – a copy of Governors’ Decision No. 19-1; (3) Attachment 3 – a certified statement concerning Modification Three to the Agreement that is required by 39 C.F.R. § 3015.5(c)(2); and (4) the supporting financial documentation. Redacted copies, where appropriate, of these documents are filed publicly, while unredacted versions are filed under seal for the Commission’s review.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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Corporate and Postal Business Law Section

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December 10, 2019

⁴ See Notice of United States Postal Service of Filing Functionally Equivalent Inbound Competitive Multi-Service Agreement with a Foreign Postal Operator, at Attachment 1 (Application of the United States Postal Service for Non-Public Treatment of Materials), Docket No. CP2018-96, December 15, 2017.

MODIFICATION THREE TO THE

This “Modification Three” amends the Canada Post Corporation – United States Postal Service Bilateral Agreement between the United States Postal Service (“the Postal Service” or “USPS”), an independent establishment of the Executive Branch of the Government of the United States, having its headquarters in the City of Washington, District of Columbia, and Canada Post Corporation (“Canada Post” or “CPC”), a corporation incorporated under the *Canada Post Corporation Act*, R.S.C. 1985, c. C-10 as amended, and having its head office in the City of Ottawa in the Province of Ontario, which was executed by both the Postal Service and Canada Post on November 11, 2017 (“the Agreement”), as modified by Modifications One and Two.¹ The USPS and CPC may be referred to individually as a “Party” and jointly as the “Parties.”

WHEREAS the Parties are not able to negotiate comprehensive rates in time to replace the terms of the current bilateral agreement between them, the Parties agree to extend the term of the Agreement and provide each other interim rates to continue their operations without disruption to their customers in accordance with the terms below.

Definitions-- For purposes of this Modification Three:

- (a) “southbound rates” include any rates for items originating in Canada and delivered in the United States, as well as international business reply service or international merchandise return service for which the return leg originates in the United States, and such rates are classified as “market dominant” or “competitive” under the Mail Classification Schedule, and
- (b) “northbound rates” include any rates for items originating in the United States and delivered in Canada, as well as international business reply service or international merchandise return service for which the return leg originates in Canada.
- (c) “Commission” means the Postal Regulatory Commission and may also be referred to as the “PRC.”

Conditions Precedent

- (a) At the time of signing this Agreement, CPC represents and warrants that it has obtained all necessary approvals for rates set out in this Modification Three.
- (b) The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by one or more internal and external bodies that have oversight responsibilities (hereinafter “Conditions Precedent”), and such approvals may apply to certain mail flows after the Effective Date of the Agreement set forth in Article 21, as amended by this Modification Three. Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS senior management, the Governors of the USPS, the Board of Governors of the USPS, and the U.S. Postal Regulatory Commission. At the time of signing this Modification Three, the USPS represents and warrants that the only Conditions Precedent remaining to be fulfilled are the rate reviews required from the PRC for the southbound rates that have been revised by this modification from those previously stated in the Agreement or another prior modification.

1 Modification One was executed by Canada Post on December 11, 2017, and by the USPS on December 12, 2017. Modification Two was executed by representatives of both CPC and the USPS on August 28, 2019. 2018-2019 CPC-USPS Contractual Bilateral Agreement 1 November 12, 2019
Modification 3
Attachment 1 Rates

(d) The Parties acknowledge that the rates in connection with certain flows might not be approved by the PRC. Until such time as the Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS or CPC and no benefit or rights granted through this Agreement or portion thereof, as appropriate, shall inure to either Party unless and until the Conditions Precedent shall have been fulfilled.

(e) In the event that the Conditions Precedent are not fulfilled, the USPS and CPC shall have no liability, which shall include no obligation to pay costs associated with any action taken by CPC prior to the fulfilment of Conditions Precedent. Further, in the event of the failure of any Condition Precedent, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

Bilateral Modification Three Rates

(a) The rates stated in Attachment 1 replace the rates for the same products as stated in Attachment 1 of the Agreement and in Modification One, wherever they appear, for the term of this Modification Three.

(b) The rates [REDACTED] represent rates resulting from the applicable provisions of the Universal Postal Convention. As they are not negotiated rates, they appear here only for the convenience of the Parties and are operative as provided by the terms of the Universal Postal Convention.

(c) All other terms and conditions of the Agreement, as amended by Modification One, remain in effect.

4. Effective Date

(a) The Effective Date for the rates, as amended by the rates stated in this Modification Three, shall be January 1, 2020. The Agreement, as amended by Modifications One and Three, including the Attachments shall bind the Parties for the period beginning on the Effective Date and ending on June 30, 2020 (the "Extended Term"), unless terminated earlier in accordance with Article 22. "Term," wherever it is used in the Agreement, Modification One, and the Attachments, shall be replaced by "Extended Term."

(b) USPS will inform Canada Post once the Postal Regulatory Commission has completed its review of the southbound rates, which may occur on different dates for southbound market dominant and competitive rates.

5. Regulatory Notice

As required by law and in other subsequent regulatory filings, this Modification Three and any supporting documentation and related data may be filed with the Commission in docketed proceedings (including Commission Docket numbers R2018-2, CP2018-96, ACR2019, and ACR 2020). The USPS shall also furnish a copy of this Modification Three to the U.S. Department of State as required by law, and the USPS may also be required to provide copies of this Modification Three to other United States governmental agencies exercising their respective oversight, law enforcement, or regulatory jurisdiction. Canada Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, U.S. Code of Federal Regulations, Part 3007, Subpart B, including Sections 3007.201 and 3007.204, and also on the Commission's website at <https://www.prc.gov/docs/105/105579/Order%20No.%204679.pdf>. At Canada Post's request, the USPS will notify Canada Post of any other docket numbers of other Commission proceedings, if any, besides those identified above, used in connection with the filing of this Modification Three and related data. As this Modification Three is intended to be a part of the Agreement, Modification Three is subject to the procedure set forth in Article 13 of the Agreement. Therefore, the Parties intend to confer regarding the redactions to appear in place of the part of this Modification Three identified as non-public before its public filing with the Commission.

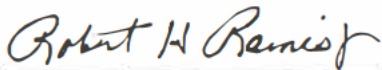
6. Counterparts

The Parties may execute this Modification Three in one or more counterparts (including by facsimile or by electronic means, such as pdf format). Both Parties need not sign the same counterpart. All counterparts, taken together, shall constitute one original instrument.

IN WITNESS WHEREOF, the Parties agree to be bound as of the latest date of signature to the terms and conditions of the Modification Three.

United States Postal Service

Canada Post Corporation



Signature



Signature

**Robert H. Raines, Jr.
Managing Director, Global Business**

**Rod Hart
Chief Customer and Marketing Officer**

11/14/19

Date

11/13/19

Date

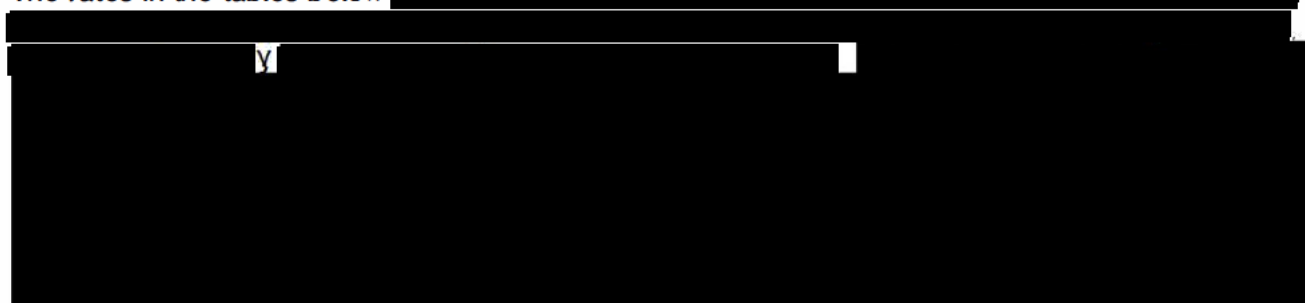
ATTACHMENT 1 RATES

Rates for the Contractual Bilateral Agreement between Canada Post Corporation and the United States Postal Service

Terminal dues rates listed in the tables included below are product stream rates per item and per kilogram stated in Special Drawing Rights (SDRs) unless noted otherwise. The rates are set on the conditions that current work sharing arrangements are substantially maintained. Any changes to current work sharing (i.e., sortation and preparation) arrangements will be subject to negotiation and mutual agreement first being reached including, but not limited to, agreement as to any impact on pricing.

2019 – 2020 Rates

The rates in the tables below



Rates

Service	Stream	UPU Format	2019 Rates**		2020 Rates**	
			item	kg	item	kg
Northbound						
Non-Tracked Letter Post*						
Priority Letter Tray						
Priority Flat Tray						
Priority Packet Bag						
Priority Packet Container						
Priority M-Bag						
IPA Letter Tray						
IPA Flat Tray						
IPA Bag						
SAL Letter Tray						
SAL Flat Tray						
SAL Bag						
SAL Container						
SAL M-Bag						
Non Billable Services						
Empty Equipment						
Return to Sender - Letter Post						
Return to Sender - Parcels						

Service	Stream	UPU Format	2019 Rates**		2020 Rates**	
			item	kg	item	kg
Southbound						
Non-Tracked Letter Post*						
Priority Letter Tray						
Priority Flat Tray						
Priority Packet Bag						
Priority Packet Container						
Priority M-Bag						
Priority IPA Letter Tray						
Priority IPA Flat Tray						
Priority IPA Bag						
Priority IPA Container						
Non-Priority Flat Tray						
Non-Priority Large Container (Flat Trays)						
Non-Priority Large Container						
Non-Priority M-Bag						
Non Billable Services						
Empty Equipment						
EMS Returns						
Missent - US to US						

Specifications of Mail Product Categories and Formats

The rates for the stream categories above shall be based upon the following format and product definitions:

Letters	Any piece which has: <ul style="list-style-type: none">- a length less than or equal to 292 mm (11 1/2 inches) and- a width less than or equal to 155 mm (6 1/8 inches) and- a thickness not less than 0.1778 m (0.007 inch) thickness, or not more than 6 mm (1/4 inch)- and which has a weight of less than or equal to 2 kilograms (3.5 ounces for USPS).
Flats	Any piece exceeding any one of the maximum limits for a Letter and which has: <ul style="list-style-type: none">- a length less than or equal to 381 mm (15 inches) and- a width less than or equal to 292 mm (12 inches) and- a thickness less than or equal to 20 mm (3/4 inch)- and which has a weight of less than or equal to 2 kilograms
Packets	Any piece exceeding any of the maximum size limits for a Flat, but within the maximum size limits as set forth in the Universal Postal Convention Regulations Articles 17-102 through 17-105 and which has a weight of less than or equal to 2 kilograms
Parcels	Any piece corresponding to size limits as set forth in the Universal Postal Convention Regulations Article 17-204 and which has a weight of less than or equal to 30 kilograms
M-Bags	Printed matter in a direct sack to a single foreign address, subject to the Reservations of Canada and the United States of America in Universal Postal Union Article R XVI, which has a weight less than or equal to 30 kilograms
Registered Mail	Any piece that meets the size and weight dimensions of Letters, Flats, or Packets and bears a Registered label on the mail piece
EMS	See Attachment 3
Xpresspost-USA™ (EMS)	All documents or packages which bear Xpresspost-USA identification, and which bear an EMS logo and an S-10 EMS Unique identifier barcode and which meets the dimensions as per Attachment 3.
Expedited Parcel – USA™ (Priority Mail)	All air parcels corresponding to size limits as set forth in the Universal Postal Convention Regulations Article 17-204 and which have a weight of less than or equal to 30 kilograms.

Rates for International Business Reply Service (IBRS)

Definition and details regarding International Business Reply Mail (IBRS) can be found in Attachment 7 of the 2018-2019 Canada Post-United States Postal Service Contractual Bilateral Agreement.

Rates: The rate USPS will be invoiced by CPC is according to the following schedule.

IBRS Rate Schedule (SDRs)

Weight (in grams)	2018	2019	2020*

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 19-1)

February 7, 2019

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes new prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments.

With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to make all necessary regulatory filings with the Postal

Regulatory Commission. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established prices that will enable each agreement to cover [REDACTED] [REDACTED] costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegate(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

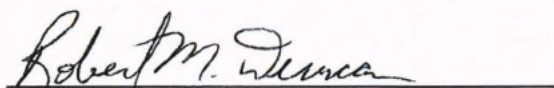
No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a semi-annual basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives, as specified in the accompanying Management Analysis. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

This Decision supersedes previous Governors' Decisions setting classifications and rates not of general applicability for competitive products; however, prices and classifications established under those Decisions may continue to be offered until the expiration of their terms, and contractual option periods and extension provisions that are included in the existing and future agreements can continue to be exercised.

ORDER

In accordance with the foregoing Decision of the Governors, the new prices and terms set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement or other nonpublished rate and classification initiative is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of any necessary review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in cursive script, appearing to read "Robert M. Duncan", is written over a horizontal line.

Robert M. Duncan

Chairman, Board of Governors

**UNITED STATES POSTAL SERVICE
OFFICE OF THE BOARD OF GOVERNORS**

**CERTIFICATION OF GOVERNORS' VOTE ON
GOVERNORS' DECISION NO. 19-1**

Consistent with 39 USC 3632(a), I hereby certify that the following Governors voted in favor of Governors' Decision No. 19-1:

Robert M. Duncan
David C. Williams



Michael J. Elston
Secretary of the Board of Governors (A)

7 February 2019

Date

Certification of Prices for Modification Three to the Inbound Competitive Multi-Service Agreement with Canada Post Corporation (Canada Post)

I, Nan K. McKenzie, Manager, Pricing Innovation, Finance Department, United States Postal Service, am familiar with the inbound competitive prices for Modification Three to the Canada Post Corporation - United States Postal Service Contractual Bilateral Agreement (Modification Three to the Agreement) executed in 2019. The prices contained in Modification Three to the Agreement were established in accordance with the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-published Competitive Rates, issued on February 7, 2019.

I hereby certify that the cost coverage for Modification Three to the Agreement has been appropriately determined and represents the best available information. The rates are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The rates demonstrate that Modification Three to the Agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Modification Three to the Agreement should be much smaller. Modification Three to the Agreement should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

**Nan K.
McKenzie**

Nan K. McKenzie

Digitally signed by Nan K. McKenzie
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ou=Manager, Pricing Innovation,
email=nan.k.mckenzie@usps.gov, c=US
Date: 2019.12.09 15:09:50 -05'00'

Date